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UNCLAS SECTION 01 OF 03 SHANGHAI 000318

SENSITIVE
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STATE FOR EAP/CM AND EB
STATE PASS USTR FOR STRATFORD/WINTER/KATZ
DOC FOR ITA - DAS KASOFF, CMCQUEEN, ESZYMANSKI
TREASURY FOR OASIA - DOHNER/HAARSAGER/CUSHMAN
NSC FOR LOI, SHRIER
USDA FAS FOR ITP/SHEIKH
STATE PASS FOOD AND DRUG ADMINISTRATION FOR HICKEY

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TAGS: ETRD TBIO PGOV ECON BEXP EAGR CH

SUBJECT: JIANGSU AND NINGBO CIQS URGE GREATER COOPERATION ON FOOD AND PRODUCT SAFETY

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¶1. (SBU) Summary: The Consul General (CG) met with the Jiangsu Provincial Entry-Exit Quality Inspection and Quarantine (CIQ) Office in Nanjing on July 31 and the Ningbo City CIQ Office on August 4 to discuss a wide range of import and export issues. Both offices welcomed greater cooperation with the Consulate on import and export issues. Jiangsu CIQ acknowledged the importance of food and product safety and urged that the United States only accept Chinese products with the official seal from the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ). Both CIQ offices noted that the biggest problems with U.S. agricultural shipments into China are that many shipments are mislabeled as a higher grade product and/or under the declared weight. While Ningbo CIQ reported fewer problems with food products, Jiangsu CIQ complained about the usage of ractopamine in U.S. pork products. Both CIQ offices complained about the different standards used in the United States and urged that the USG try to simplify and unify standards. Ningbo CIQ reported that China is trying to streamline its inspection process by creating a list of items that require special attention while allowing other items to pass more quickly. End Summary.

¶2. (U) During farewell visits to Nanjing and Ningbo on July 30-31 and August 4 respectively, the CG met with the Jiangsu CIQ and Ningbo CIQ. On July 31, Jiangsu CIQ Deputy Director General (DDG) Lu Yonggui provided a detailed briefing on Jiangsu CIQ's operations. Lu was joined by eight Jiangsu CIQ senior department heads. The department heads were also well prepared for the meeting and spoke in detail when called upon by Lu. After the meeting, Deputy DG Lu gave a tour of Jiangsu CIQ testing facilities. Lu said that Jiangsu CIQ tries to replicate conditions in U.S. labs, even going so far as making sure that the lighting is the same. A majority of the Jiangsu CIQ equipment is from the United States or Europe. Ningbo CIQ Director General Shan Wei and Deputy Director General (DDG) Chen Mengyu were also very detailed in their later meeting with the CG, which followed a similar format.

Food and Product Safety

¶ 13. (SBU) Jiangsu CIQ DDG Lu stressed the importance the Jiangsu CIQ places on food safety, noting that food and product safety also affects Chinese consumers. He noted that the U.S. FDA had sent inspectors to Hubei and Guangdong to carry out investigations. He is interested in knowing more about the results of these investigations. In general, DDG Lu opined, FDA reports on food and product safety problems tend to be too simplistic. It would help Chinese authorities, as they carry out their own investigations, if the U.S. FDA reports had more details. This would also help Chinese authorities to better understand U.S. concerns and resolve issues when they arise. According to Lu, many of the Chinese products that were found to be unsafe in the United States did not have the official General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) stamp and had not been reviewed by AQSIQ authorities. He urged that the United States only accept products that have been certified by AQSIQ and not allow any products into the country without an AQSIQ stamp. He also noted that all U.S. food products should have in place official Chinese labels before arriving in China.

Agriculture Imports from USA Still a Challenge

¶ 14. (SBU) Both Jiangsu CIQ and Ningbo CIQ were pleased with the general trade relationship, but each noted similar problems with agricultural imports from the United States. Ningbo CIQ DDG Chen Mengyu complained that some wood packing materials from the United States did not bear the official IPPC stamp (an international standard for wood packaging) and were not up to standards. In 2007, of the total 8,741 shipments of wood packaging, 492 did not bear the IPPC stamp and an additional 591 had other quality problems.

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¶ 15. (SBU) According to Jiangsu CIQ DDG Lu, 43 percent of Jiangsu's cotton comes from the United States and the province is the second largest importer of U.S. cotton in China. In 2007 there were a total of 67 shipments, of which 27 cases were not up to standards. In 2008 to date, out of 32 cotton shipments, 9 were below grade. Additionally, 80 percent of all cotton shipments in 2007 were under the declared weight. Jiangsu DDG Lu also complained that some shipments of U.S. cotton were mislabeled and given a higher grade. Every year Jiangsu CIQ procures cotton samples from the United States and uses these samples to compare to the shipments in making a determination of the cotton's grade. In addition, some samples are taken to another testing area to measure the fiber length and quality. Like Ningbo CIQ, Jiangsu CIQ also complained that shipments are sometimes underweight.

¶ 16. (SBU) Other problems included processed timber, where quality issues have been increasing generally. In 2007, there were 544 shipments, worth USD 9.4 million. Of this total, 31 shipments, worth USD 820,000, did not meet standards. Soybean imports have also been problematic; many shipments contained substantial amounts of blue and red marked beans (those used for seed rather than human consumption). CIQ also detected 37 different kinds of harmful insects in the shipments. In 2007, there were 18 shipments of U.S. soybeans worth USD 140 million to Ningbo. Of these, 5 shipments did not qualify. Jiangsu CIQ also had the same complaints about U.S. soybeans. While the quality of U.S. soybeans is generally good, there are some shipments that come in underweight and/or also contain bad quality beans.

Animal Products Fare a Bit Better in Ningbo than in Jiangsu

¶ 17. (SBU) Chen emphasized that the majority of problems with U.S. agriculture products involved goods of plant origin rather than animal origin. In 2007, Ningbo received 19 shipments of

seafood, totaling over 376 tons. There were a few problems with pathogen residues, but in general the seafood products were within standards. Ningbo also received shipments of turkey feathers and cow hides from the United States, which did not pose any problems.

¶18. (SBU) Jiangsu CIQ DDG Lu said most of the problems in U.S. agriculture came from food products, in particular frozen meat. Only 88 percent of U.S. frozen meat shipments pass inspection. The main problem is that U.S. pork producers use ractopamine in their pork products, which is not allowed in China. Last year 15 U.S. pork shipments were found to have ractopamine traces.

Cotton: The Fiber of a Strong Relationship

¶19. (U) Given the volume of cotton imports, both Jiangsu and Ningbo are interested in developing better communication with the U.S. cotton industry. During the June 2008 visit of the U.S. Cotton Council, Ningbo CIQ demonstrated China's cotton testing procedures and standards so the Council would be better able to advise U.S. producers. Ningbo DDG Chen noted one of the most common problems with U.S. cotton is the strength of the fibers and used some of the Cotton Council's samples to demonstrate the problem. The U.S. Cotton Council discussed the "Green Card Standards" used in the United States to measure quality. Chen said China is generally not aware of these standards and urged the Cotton Council to introduce the U.S. Green Card Standards to AQSIQ authorities in Beijing.

Streamlining the System

¶10. (U) According to Chen, CIQ is working on methods to streamline the import inspection process. During a meeting with other CIQ offices in Shanghai, plans were announced to create a list of approximately 1,900 tariff-line items required to receive "special inspection." Items not on the list would

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receive a faster clearance. Ningbo intends to follow the new guidance, which will increase efficiency in the clearance process. Chen also noted that there was also discussion of "black-listing" companies that willfully violate CIQ procedures and rules. Some suggested that companies be given only one chance before being blacklisted, but Chen felt companies should be given at least three chances.

"China's Exports Improving, but U.S. Standards Confusing"

¶11. (U) DG Shan emphasized that China's exports to the U.S. were improving in quality but many Chinese exporters are baffled by the array of U.S. quality standards, particularly among different states. State standards sometimes exceed Federal Government standards. He also said some standards are raised so quickly, it is impossible for Chinese companies to keep pace. As an example, he cited Chinese air conditioners, claiming that currently no Chinese companies can meet the U.S. standards because they have changed so rapidly. (Note: Haier air conditioners are sold generally throughout the United States. End Note.) He urged the United States to take a more measured approach to changes in quality standards so Chinese companies could adjust "step-by-step." Jiangsu DDG Lu also urged more uniformity in U.S. standards. Jiangsu exports a large amount of seafood to the United States. Seafood standards vary widely among the different states in America and this was causing a great deal of confusion among Jiangsu food exporters.

Cooperation From Both Sides

¶11. (U) Ningbo DG Shan welcomed closer cooperation with the U.S. Consulate and U.S. business. He referred to the 2005 Memorandum of Understanding (MOU) between AQSIQ and the Consumer

Product Safety Commission, urging the U.S. side to cooperate more closely on providing guidance on U.S. regulatory changes that affect exporters from China. He noted his dissatisfaction with a recent case in which the USG complained about a Chinese export but was unwilling to reveal the name of the Chinese company for CIQ to follow up. The USG agency involved said it could not release the name of the company because of privacy issues. Shan queried under such circumstances how could CIQ be expected to do its job. The CG emphasized that U.S. exporters to China would also welcome additional guidance as China's regulations governing food and product safety are amended. The CG also noted that USFDA will soon establish an office in Shanghai and intends to cooperate closely with CIQ. Shan welcomed the establishment of an FDA office in Shanghai and promised Ningbo CIQ's cooperation.

¶12. (U) In his meeting with Jiangsu CIQ, the CG also pushed for greater cooperation between the Consulate and Jiangsu CIQ. He urged that the Jiangsu CIQ inform the Consulate before it destroys or returns U.S. shipments. He noted that the Consulate wants to organize a training session on U.S. standards and importation for the East China area and hopes that the Jiangsu CIQ would participate.

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